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Argentina

Market Development Reports

Consumer-ready Dry Food Products

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Report Highlights:
Argentines are developing a taste for consumer-ready dry food products. In the past five years, the domestic sales volume increased 25%. In 1997, Argentine dry food imports totaled $21.7 million, of which the United States accounted for $0.899 million. Good growth potential is expected in the next few years.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

A. Executive Summary

Increasingly the Argentine consumer is developing a taste for consumer ready dry food products. A change in lifestyle has elevated demand for food products that are quicker and easier to prepare yet high in quality and taste. The largest market shares in this sector are dedicated to dry pasta, rice and soups. Although traditional dry pasta and rice have been and continue to be an important staple in the Argentine diet, the recent introduction of rice and dry pasta with sauce has been readily accepted by consumers. While the consumption of soup has remained constant, instant soup packets are slowly increasing in popularity. Distribution channels are geared toward super and hypermarkets, where dry food products receive the most representation.

B. Consumption Trends

Pasta holds a traditional presence in the Argentine dry foods market and enjoys a high rate of consumption. Among the various food products most demanded by Argentines in 1997, dry pasta is ranked fifth with a 5.8% share of the total food market. Rice, another important dry food, is ranked eleventh with a 2.7% share, while soups have a 1.1% share.

Among packaged products used for the preparation of hot dishes, dry pasta accounts for over one-third of sales in that sector and continues to show positive growth. The total sales volume between June 1996 and May 1997 for products within this category was close to $1.1 billion (included in this total are sales figures for tomato sauce and grated cheese).

Product	Sales ($ million) June 1996-May 1997	% 1997	% First Quarter 1998
dry pasta	333.82	34.6	36.1
rice	158.96	16.0	16.9
bouillon cubes	119.98	12.3	11.6
soups	59.41	6.3	4.9
soup thickeners	26.92	2.8	2.5
polenta (quick)	22.88	2.3	1.7

Source: AC Nielsen

Rice is also quite popular in Argentina. It is always present in the Argentine diet either as a main or side dish, sweet or salted, prepared as broth, or as a dessert. It is used to complement many meals and either is consumed hot, cold, plain, or mixed. Quick rice or precooked rice is fairly new to the market and is slowly gaining popularity.

Annual per capita consumption in Argentina is low, 5 kilograms, compared to that of its neighboring Brazil, which is 40 kilograms. However, consumption is on the rise due to its reasonable price and availability. In the past five years, the sales volume on the national level has increased 25%.

Recently introduced to the market are consumer-ready rice and dry pasta with sauce. Although considered novelty products, they have had immediate acceptance since they coincide with Argentine eating habits. A sustainable annual growth rate of 10% is projected for the next few years for these products. Pasta with sauce, especially mild cheese, tomato or vegetables, is the most popular, as reflected by sales which have a steady increase.

The situation is different for the dry soup market which is well established in Argentina and is heavily promoted. Consumption is greatest during the winter months of July and August and has remained steady over the past few years. Vegetable soups tend to be the favorite of Argentine consumers.

In addition, as consumers become more health conscious, diet and reduced calorie/fat products are gaining popularity. The largest market for these products is in the Greater Buenos Aires area. Tibaldi and Sobefin are brands of dietetic pasta found in the market. While Phonecian Trading S.A., a Swiss Company, leads the market with their dietetic soups with the label Oswald.

Factors Affecting the Growth Rate

The growth of this segment will be determined by the following factors:

- permanence of the current economic situation of stability and open economy;
- continuity in the expansion of the *self-service* system;
- permanence of current lifestyles: more women entering the workforce, interest in novelties, growing trend toward fast food; and
- consolidation of the Mercosur agreement among Latin American countries, which would foster significant potential market.

Regarding the consumer's characteristics and preferences, the following are the main aspects which should be taken into consideration:

- more women entering the workforce: twenty years ago, one out of three women worked outside the home; today the number is one out of two;
- more single-parent households and women as the main wage earner of the family;
- greater demand for services: food delivery, value-added products, etc.;
- limited time for shopping;
- great acceptance of new store formats, new distribution channels, novelty products, distributors' brands, etc.; and
- increasing trend toward devoting less time to cooking, eating out, buying prepared or semi-prepared foods.

C. Domestic and Foreign Competition

In the early nineties, Argentina underwent three economic phenomena: opening, stability and deregulation, which changed the national industry. Imports of many products surged and the arrival of multinational companies dealing with the food sector also brought new categories of products. The consumer-ready food products sector was one of the segments affected by these phenomena, due to both local manufacturing and imports.

The following shows Argentine import figures for 1997 in the dry foods sector:

Product	Total value imported (Millions $)	U.S. share (Millions $)
dry pasta	14.7	0.100
rice	3.4	0.452
soups	3.6	0.347
Total	21.7	0.899

Major Brand Names Available in the local market

There are approximately 20 producing companies competing in the market: half of them manufacture in the country, and the rest participate through the importation of these products. The following are traditional companies established in the country, which have a large presence in the Argentine dry foods sector: Molinos Rio de la Plata (numerous brands), Quimica Estrella (brand name GALLO), Nestle (brand name MAGGI), Refinerias de Maiz (brand name KNORR), Nabisco (brand name TERRABUSSI), Campos del Pilar and Teknofood.

The remaining supply comes from small companies either local or foreign, which do not produce locally.

Supermarket chains have also targeted this category and three of them, Norte, Jumbo and Wal-Mart, are selling these products with their private labels. Norte has varied products from Spain; Jumbo has a great variety of these products in boxes or cans with different brands and coming mainly from Germany; and Wal-Mart entered the local market with its instant soups from the United States, sold with their private label GREAT VALUE.

Pasta

The main players in the dry pasta market are Molinos Rio de la Plata (brands: MATARAZZO-- 17% market share -- LA FAVORITA, TRIGOFLOR and VITINA) and Nabisco (brands: TERRABUSI -- 13% market share -- VIZZOLINI, and DON FELIPE), which together account for 30% of the dry pasta market. They are followed by: the Chilean Luchetti--7% market share -- Don Vicente, Manera, Canale and Nutregal as well as other brands such as BARILLA which is imported from Italy.

KNORR leads the dry pasta with sauce market with 49% followed by TERRABUSSI with 21%, GALLO with 16%, MAGGI with 4%. Other brands make up the remaining 10%.

It should be noted that the real competitors for dry pasta are fresh pasta, whose sales continue to increase as well as the private labels of supermarkets.

Rice
Quimica Estrella, with its brand Arroz GALLO leads the rice market and its main competitor is Molinos Rio de La Plata whose brands include El Condor (long thin and wide rice) and Maxima (parboiled, white long, wide, brown, fortified rice). Other competitors are Molinos Ala and Carogran who under the brand Nomen imports the leading line of rice from Spain which includes basmati, wild, precooked, and paella prepared rice. In addition, several supermarkets have introduced their own brand labels and are proving quite successful within their own product category/ quality range. Their success is in part due to their lower price and strategic display.

Within the last year, rice with sauce has been introduced to the Argentine market. The leader in sales is GALLO with 46% of the market followed by KNORR with 30% and then MAGGI with 21%. The remaining 3% of the market belongs to other brands such as GOYA (from South American Foods, a U.S. company) and LA SOLUCION (from the Argentine company Teknofood).

Soup
The brands KNORR and MAGGI (both well known and established brands) dominate the dry soup market. KNORR has 72% of the market, MAGGI has 20% and others (including the U.S. brand Campbell's from Swift Armour) have 8%. Instant soup in individual packets has also gained popularity, the most important brand being QUICK.

Consumer-ready prepared food is dominated by three brands: GALLO, KNORR and MAGGI. Of lesser importance is CAMPOS DE PILAR. Other imported brands are also on the market from countries such as Germany, but their presence is not well established.

D. Distribution Channels

Local Distribution Channels for Domestic and Imported Products

Consumer-ready dry food products reach the *self-service* channel, and also small stores (mom & pop), through the traditional distribution for rice and dry pasta. The *self-service* channel, composed of hyper/supermarkets and superettes, represents 70% of total sales and is the best channel of distribution. This is in part due to the permanent increase in the quantity and diversity of supermarkets' offerings of consumer ready or pre-cooked products. As a result of the popularity of these products, rice and dry pasta producing companies have a distribution system which reaches directly or indirectly 114,000 points of sale throughout the country.

Consumer-ready dry food

	Stores	Sales volume %
Hyper/supermarkets	1215	65
Superettes	12533	16
Mom & Pop	114224	19

E. Pricing

Marketing margins for these products are slightly higher than those of traditional dry foods.

Distribution costs of a brand by a leading company reaches 13-17%, according to the sales volume. Supermarkets apply an average margin of 25% to their costs, and superettes, 35%.

Following are some indicative prices (including taxes) taken from a major hypermarket in Buenos Aires city:

Product	Brand	Package	Price
Capeletini	Giacomo	400 gms	2.95
Spaghetti	Manera	200 gms	1.92
Pene Rigate	Delverde (Italy)	453 gms	2.69
Rice w/sauce	Gallo	380 gms	1.69
Rice w/sauce	Knorr	210 gms	1.29
Soup (can)	Campbell's (USA)	305 cc	1.04
Soup mix	Maggi	48 gms	0.85

F. Packaging and Label Requirements

Food products can be imported with their original packaging, but need to have certain information affixed on a label written in Spanish. Nutritional information is not necessary but it can be included if desired. In general, Argentine consumers prefer small package sizes (350, 500 and 1,000 grams). Most imported products will come in their original packages, which normally are well accepted by local consumers.

Dry food products must be registered with the government as any other food products. If the product is meat or an animal by-product, it will need to have a double registration in INAL (National Food Institute) and SENASA (National Service of Animal Health). However, if the imported food products are ready for retail sale and consumption they only need to be registered in INAL.

For further information please refer to the FAIRS (Food and Agricultural Import Regulations and Standards) report for Argentina or access the FAS Home Page at http://www.fas.usda.gov.

G. Import Regulations and Costs

There are no import quotas for foods in Argentina nor non-tariff barriers except for a few products (generally fresh) which have sanitary or phytosanitary restrictions. All imports, apart from the duty, pay a 0.5 percent statistical tax.

The following table shows current import duties for several dry food products:

15%	19%	21%
Rice	Pasta	Soups

Following is an estimated cost of importation and a retail structure cost in order to calculate the retail price of an imported food product (e.g., imported pasta, duty of 19%):

* Cost of Importation	$
FOB	100
CIF	109.6
Landed Cost	142.4
Grand Total (incl. VAT+Profit tax)	185.4

* Retail Structure

Importer/Retailer (25% margin)	215.4
Retailer/Consumer (35% margin)	**290.7** (price at shelf, including value added tax)

This is a theoretical exercise to help exporters calculate their retail price in a supermarket in Argentina. If the supermarket imports directly, the retail price could range between $230/240 for this example. Marketing margins will vary depending upon retailers, products, etc.

H. List of Importers

NUTRIMENTAL CO.
Avda. Corrientes 1312, piso 7, of. 707
1043 Buenos Aires
Tel/fax: (54-11) 4374-8093

SWIFT ARMOUR ARGENTINA S.A.
Avda. L. N. Alem 986, piso 1
1001 Buenos Aires
Tel: (54-11) 4318-1400
Fax: (54-11) 4318-1475/1476

BENVENUTO S.A.C.I.
Hipolito Yrigoyen 2576
1090 Buenos Aires
Tel: (54-11) 4952-6035
Fax: (54-11) 4953-2201

BONAFIDE S.A.I.C.
Ruta 8, Km 17800
1653 Villa Ballester, Pcia. de Buenos Aires
Tel: (54-11) 4738-7000
Fax: (54-11) 4738-7001

CANALE S.A.
Martin Garcia 320
1165 Buenos Aires
Tel: (54-11) 4307-4000
Fax: (54-11) 4307-1090/0892

CARREFOUR ARGENTINA S.A.
Avda. del Libertador 95
1638 Vicente Lopez, Pcia. de Buenos Aires
Tel: (54-11) 4796-6600
Fax: (54-11) 4796-6650

SUPERMERCADOS NORTE
Cuyo 3323
1640 Martinez, Pcia. de Buenos Aires
Tel: (54-11) 4733-1722/1700
Fax: (54-11) 4733-1738

ELIAGRO S.A.
Yerua 4975
1427 Buenos Aires
Tel/fax: (54-11) 4553-8519; 4554-1613/0108

COTO C.I.C.S.A.
Paysandu 1852
1416 Buenos Aires
Tel: (54-11) 4586-7777
Fax: (54-11) 4586-7841

NESTLE ARGENTINA S.A.
Carlos Pellegrini 887
1009 Buenos Aires
Tel: (54-11) 4329-8100/8237
Fax: (54-11) 4329-8200